



Published: March 30, 2020

Special Enrollment Considerations During the COVID-19 Pandemic

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Several insurance carriers are communicating their intent to open a “special enrollment period” in connection with the COVID-19 pandemic. This special enrollment period would allow employees, who had previously failed to enroll in coverage for themselves, their spouses, and/or their children, to enroll in employer sponsored coverage. Carriers will permit employers to opt-in or opt-out of special enrollment periods. Below are considerations employers should review when determining whether to use these special enrollment periods.

- Without relief from the Department of Treasury, this type of special enrollment period would likely not be considered a status change event under Section 125 of the Internal Revenue Code. Until further guidance is issued, if an employer offers this special enrollment period, employees and dependents enrolling in coverage during one of these periods should remit contributions on an after-tax basis. Also note that, if an employer pays the cost of an accident or health insurance plan for its employees, including for an employee’s spouse and dependents, the employer’s payments are not considered wages and are not subject to Social Security, Medicare, and FUTA taxes, or federal income tax withholding.
- If employers offer this special enrollment period, plan documents, summary plan descriptions and other participant communications should be reviewed and updated to reflect this special enrollment period. Further, employers should consider communicating potential tax implications with participants.
- This type of special enrollment period may have a financial impact on an employer’s health plan. Employers should weigh the consequences of possible adverse selection that may result from offering this type of special enrollment period with the potential benefits to their employee populations by making such coverage available.
- It should be noted that not all stop-loss carriers may allow for this special enrollment period, They may not agree to cover newly enrolled participants during this period, which may result in significant financial liability to the employers. Employers with self-insured plans should review their stop-loss policies and will likely need to have written authorization from stop-loss carriers